



PERFORMANCE AUDIT

DEPARTMENT OF HUMAN & SOCIAL SERVICES

BUSINESS ADMINISTRATION

August 7, 2006

Roanoke City Council Audit Committee
Roanoke, Virginia

We have completed our audit of Social Services Administration. Our audit was performed in accordance with generally accepted government auditing standards.

BACKGROUND

The Department of Human and Social Services' mission is to "assist the citizens of our community to achieve and maintain a realistic and attainable level of self-sufficiency within a safe, healthy, environment. We will accomplish this by using our strengths and resources in a caring, professional manner, while providing a network of protection, support and temporary financial assistance." The department provides a wide variety of services to the public including assistance for foster care, daycare, adoption, food stamps (Cardinal card), education, heating & cooling assistance, homeless assistance, juvenile justice services, etc.

The Department of Human and Social Services is a hybrid organization that receives much of its funding and direction from the Virginia Department of Social Services (VDSS) but is administered locally. The department must operate using both city and state systems, procedures, and funding sources. The department is heavily regulated, and has significant compliance requirements. There are numerous legislative mandates in both the State Code and the Code of Federal Regulations. Accordingly, the various programs are subject to audits from the state, and programs supported by federal funding are periodically audited by KPMG as part of the city's annual financial audit. The department is led by the Director of Human Services. There are two separate but related divisions under the Director, Human Services and Social Services. The division of Human Services has an operating budget of \$13.1 million with 32.5 FTE positions. The majority of the Human Services expenditures relate to the Comprehensive Services Act (CSA). Approximately 37.5 percent of the CSA expenditures as well as the majority of the remaining Human Services expenditures are locally funded. The division of Social Services has an operating budget of \$18.8 million with 215 FTE positions. Approximately 88 percent of its operating costs are reimbursed from the state and federal government. Intergovernmental revenues for the two divisions are \$22.3 million.

The department incurs expenses to provide services and, on a monthly basis, requests reimbursements from the VDSS using the Locality Automated System for Expenditure Reimbursement (LASER). LASER requires that expenses be entered using unique account codes to identify the nature of the expenditure to the state. The department's Budget Coordinator and Accounting Supervisor are primarily

responsible for entering or supervising the entry of the LASER reimbursement data. The reimbursements are wired to the City Treasurer when they are approved by the state.

SCOPE

Our audit focused on procedures in place as of November 1, 2005, and transactions occurring from July 1, 2004, through March 31, 2006. Specific service programs were not evaluated during this audit.

OBJECTIVES

The purpose of this audit was to evaluate the adequacy of the design and operation of the system of internal controls related to budgeting, monitoring, and reporting expenses eligible for reimbursement from the VDSS.

METHODOLOGY

We developed our understanding of the Department of Human and Social Services' administrative functions by reviewing the department's business plan, budget, and systems manuals. We observed and interviewed staff to document their processes for LASER entry, LASER reconciliation, and budget monitoring. We reviewed LASER reports to identify potential over/under spending by the department. We sampled expenditures submitted for reimbursement to determine if the LASER coding appeared proper. We sampled expenditure for keying errors and/or omissions. We reviewed a sample of payroll reconciliations for completeness, and verified proper classification of employees. We compared city object codes to the related LASER cost codes to verify reasonableness of reporting.

RESULTS

We reviewed LASER Budget Balance reports to identify areas of potential over or under spending by the department. For any unusual balances, we inquired to obtain an explanation and ensure that the department had plans to utilize the funds or has identified other funding opportunities for the line item. Based on our review, we noted that the city is adequately monitoring its state funding sources as of March 31, 2006. We selected a sample of employees from the department and compared their classifications used for LASER with their job titles and responsibilities. We determined that the employees were properly coded for LASER purposes. We selected a sample of administrative expenditures submitted for LASER reimbursement to determine if there were keying errors, omissions, and that the LASER coding was proper. Based on our review, we concluded that the administrative expenses were properly keyed into LASER and that their classifications and coding were proper. We also tested a sample of program expenditures and noted that they were properly entered and coded into LASER. We verified that the crosswalk of codes between the city accounting system and LASER appeared appropriate and reasonable. We reviewed department payroll

reconciliations for completeness. We determined that employees and salary information from the city's payroll system was properly captured and configured for input into LASER.

During the course of the audit we recognized that the hybrid nature of the organization presented certain difficulties. Work is often duplicated entering transactions on the local systems as well as the VDSS systems. The account structures between the two systems are different, which causes the local department to make numerous schedules to prepare the local data for entry into the VDSS systems. This additional manual intervention increases the risk that errors and omissions will occur. The reconciliations between the two systems can be quite laborious and, in some cases, impossible. We also noted that the level of training for new employees offered by the VDSS on the LASER system has not been adequate.

We have communicated other issues to management in a separate letter.

CONCLUSION

The results of our test work indicate that controls related to budgeting, monitoring, and reporting expenses eligible for reimbursement from the VDSS are in place and operating properly.

We would like to thank the staff members of the Department of Human and Social Services for their help and cooperation during the audit.

Michael J. Tuck, CPA, CGAP
Assistant Municipal Auditor

Drew Harmon, CPA, CIA
Municipal Auditor